

The University of Melbourne
PROPERTY AND CAMPUS SERVICES
REPORT TO FINANCE COMMITTEE 6/06 (26/07/2006)

PARKING FEES 2007 - 2009

PURPOSE:

The purpose of this report is to recommend a fee structure for the period 2007 –2009 that maximises returns to the University whilst maintaining a parking system that is deemed acceptable by the University community.

BACKGROUND:

In 1998 the Finance Committee noted that ‘the car parks project needs to generate sufficient surplus funds to fully amortise the debt funding over an 18 year period.’ In addition the Finance Committee noted that ‘the car parks project should be encouraged to make any additional capital repayments as and when funds are available.’

The University Square Car Park became fully operational on 23 April 2003 when the second access tunnel was completed and opened and the University was authorised to utilise the full capacity of the car park.

For the three years 2003 to 2005 the parking fund has paid \$5,290,175 in interest and \$1,250,167 off the principal.

When the last fee proposal was made in November 2003 it was anticipated that by the end of 2005, the principal would have been reduced from \$26,057,449 to \$21,911,559 an amount of \$4,145,890 rather than the \$1,250,167 actually achieved.

In practice Financial Operations has most recently calculated that the principal now stands at \$25,909,601. Property and Campus Services queried this development, and Financial Operations have confirmed the validity of the figure, the difference being due to the addition of extra debts to the Parking Fund, following transfers from the MUFAS system when it was closed down at the end of 2002.

Aside from the financial considerations the prime underlying assumption has probably been that staff parking should be available as part of employee terms of employment and that it should be set well below the market rate for commercial parking. For this report this assumption has been maintained.

ISSUES / INTENDED OUTCOMES:

Parking Review Summary

As in the past the University engaged Ratio Consultants, a company specialising in traffic and transport engineering advice, to review the University’s current parking fee structure in comparison with market rates in the area surrounding the University’s Parkville Campus. The aim of their review was to see how the market has moved over time and to recommend what might be appropriate fee structures for the next three years, 2007 through to 2009.

Their report shows that the current University fees have the following relationship to the local market:

Parking Type	University Fee 2006 [\$]	% of Average Market Rate
Unreserved Staff	850	84
Reserved Staff	2550.90	90
Commercial	1848	89
Casual – Hourly Rate	2.50	63
Casual – Daily	7.5	63
Casual – After Hours	4	67

Property and Campus Services Considerations

Property and Campus Services has reviewed the Ratio Consultants Report and the following comments are provided to support the parking fees structure as specified in the suggested Schedule of Fees 2007 – 2009 at Appendix 1. [At Appendix 2 is the Schedule of Fees for 2004 – 2006 should a comparison be required.]

- a. **Staff Parking:** Ratio recommends that staff parking permit rates rise by 17.6% over the next three year period representing fees of \$900 for 2007, \$950 for 2008 and \$1000 in 2009 in order to bring fees up to a similar rate to that of other institutions in the area although this takes no account of likely inflation rates. This recommendation is supported.
- b. **Annual Commercial Parking:** Ratio proposed increasing these rates by 13.6% over three years but this is not considered to be an appropriate increase given that the University is currently at less than 90% of the average price for the area. Property and Campus Services recommends increases of 36% over the next three years with fees rising to \$2075 in 2007, \$2283 in 2008 and \$2511 in 2009. If the market does not support this increase any shortfall is likely to be made up by casual parking, although this is not quite as lucrative.
- c. **Casual Public Parking:** Ratio recommended increasing these rates by 20% to \$9 for a whole day and \$3 per hour, while after hours and weekend parking would increase a dollar to \$5. Whilst this might be thought a steep increase, given that the current charge is at 60% of the market mean, these increases will not change this pattern. [\$9 a day as opposed to \$12 a day.]
- d. **Reserved Parking:** The Ratio review indicates that annual commercial reserved parking is typically 20-50% greater than for unreserved spaces. A 50% premium on reserved spaces was recommended. However, in the view of Property and Campus Services staff reserved spaces should remain at three times the normal rate to discourage excessive demand for this type of permit.
- e. **Night Permit and Sports Club Members:** Ratio made no recommendation in relation to these two permit types. Since neither of these groups are core stakeholders it is recommended that fees are increased by 10% per annum or 36% over the three year period. This will take fees for night parking from \$288 to \$390 and for Sports Clubs from \$97.90 to \$133.

FINANCIAL IMPLICATIONS:

The financial calculations on the proposed parking fee increases over the next three years can be seen at Appendix 3. These have been made in line with the established principle that all costs relating directly to the Parking fund, including salaries for administration and enforcement, operations, maintenance and capital replacement will be a charge on revenue. The resultant costing shows that on the prices and assumptions provided the loan should be repaid by 2016 in line with the original intention of the Finance Committee.

The explicit assumptions behind this projection are as follows:

- Proposed fee increases are agreed.
- Non-staff parking usage patterns for the next three years will mirror those currently in place.
- Areas with staff parking spaces that are not currently full, for example BIO 21 and Eastern Precinct, will be fully utilized from 1 Jan 07.
- Operational costs will increase between 3% and 6% per annum.
- \$50,000 will be spent on new capital equipment.

RISK ASSESSMENT:

There are clearly many risks involved in any prediction of future revenue and expenditure. They can be structured into two main areas:

Internal Risks – These cover a whole host of possibilities from the push to make the main campus vehicle free, thus reducing revenue, moving to a pay and display system on campus after hours which might increase revenue, to bigger items like the purchase or construction of additional parking facilities.

External Risks - This could clearly be a long list from terrorism to bird flu but perhaps the most likely one to be considered is the consequence of continuing increases in fuel costs. It is possible that public transport will become more popular leaving the University with empty car parks and declining revenue.

It is recommended that these risks should not affect the decision on the setting of parking fees in the current environment. Should any significant change eventuate over the next three years, the parking fee structure can be revisited at any time to ensure agreed objectives are met.

IMPLEMENTATION:

If these proposed changes are accepted and agreed then the parking regulations will need to be amended and commercial parking tenants informed of the planned changes when they request a renewal of their parking agreement. With six months before the start of 2007 there will be more than enough time available for a smooth implementation.

RECOMMENDATION:

It is recommended to the Committee as follows:

- That the revised parking fees for 2007 - 2009 be approved.



Mr Tim Thornton
General Manager Campus Operations Group



Mr Russell Elliott
Vice-Principal Property and Campus Services

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Parking and Traffic Rules
 Regulation 8.1.R9

Proposed Schedule of Fees – 2007 - 2009

Description	2007	2008	2009
MOTOR VEHICLES			
Staff Permit (Central Campus, Eastern & Western Precincts, University Square)	\$818.00 +\$82.00 GST	\$864.00 +\$86.00 GST	\$909.00 +\$91.00 GST
Reserved Parking	\$2455.00 +\$245.00 GST	\$2591.00 +\$259.00 GST	\$2727.00 +\$273.00 GST
Daily Staff / University Visitor (e.g. Part Time Staff)	\$3.50 up to 3 hrs \$7.00 per day	\$3.50 up to 3 hrs \$7.00 per day	\$3.50 up to 3 hrs \$7.00 per day
Commercial (includes tenants, contractor and public) [Annual Rate]	\$1886.00 +\$189.00 GST	\$2075.00 +\$208.00 GST	\$2283.00 +\$228.00 GST
Temporary Non-University (for building contractors, one permit per contract issued on a quarterly basis)	\$1886.00 +\$189.00 GST	\$2075.00 +\$208.00 GST	\$2283.00 +\$228.00 GST
* Daily Public Monday to Friday 6am – 11pm	\$3.00 per hr \$9.00 per day	\$3.00 per hr \$9.00 per day	\$3.00 per hr \$9.00 per day
* After Hours Public (excludes University Square) 5pm – Midnight weekdays, all day weekends	\$5.00 flat rate	\$5.00 flat rate	\$5.00 flat rate
Sports Club Members 5pm – Midnight weekdays, all day weekends	\$100.00 +\$10.00 GST	\$110.00 +\$11.00 GST	\$121.00 +\$12.00 GST
University Students 5pm – Midnight weekdays, all day weekends	Free	Free	Free
Night Permit (e.g. Cleaning Staff)	\$290.00 +\$29.00 GST	\$320.00 +\$32.00 GST	\$355.00 +\$35.00 GST
MOTOR CYCLES			
Motor Cycles	No Fee Applicable	No Fee Applicable	No Fee Applicable

* Rates for 2008 and 2009 are indicative. Vice-Principal Property and Campus Services can set rates based on market rates at the time.

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Schedule of Fees – 2004 – 2006

Description	2004	2005	2006
MOTOR VEHICLES			
Staff Permit (Central Campus, Eastern & Western Precincts, University Square)	\$710.00 +\$72.00 GST	\$742.00 +\$74.00 GST	\$773.00 +\$77.00 GST
Reserved Parking	3 times the applicable fee	3 times the applicable fee	3 times the applicable fee
Daily Staff / University Visitor (e.g. Part Time Staff)	\$3.00 up to 3 hrs \$6.00 per day	\$3.00 up to 3 hrs \$6.00 per day	\$3.00 up to 3 hrs \$6.00 per day
Commercial (includes tenants, contractor and public) [Annual Rate]	\$1364.00 +\$136.00 GST	\$1545.00 +\$155.00 GST	\$1680.00 +\$168.00 GST
Temporary Commercial (for building contractors, one permit per contract issued on a quarterly basis)	\$341.00 +\$34.00 GST	\$386.00 +\$38.00 GST	\$420.00 +\$42.00 GST
* Daily Public Monday to Friday 6am – 11pm	\$2.50 per hr \$7.50 per day	\$2.50 per hr \$7.50 per day	\$2.50 per hr \$7.50 per day
* After Hours Public (excludes University Square) 5pm – Midnight weekdays, all day weekends	\$4.00 flat rate	\$4.00 flat rate	\$4.00 flat rate
Sports Club Members 5pm – Midnight weekdays, all day weekends	\$80.00 +\$8.00 GST	\$84.00 +\$8.00 GST	\$89.00 +\$9.00 GST
University Students 5pm – Midnight weekdays, all day weekends	Free	Free	Free
Night Permit (e.g. Cleaning Staff)	\$233.00 +\$23.00 GST	\$247 +\$24.00 GST	\$262 +\$26.00 GST
MOTOR CYCLES			
Motor Cycles	No Fee Applicable	No Fee Applicable	No Fee Applicable

* Rates for 2005 and 2006 are indicative. Vice-Principal Property and Buildings can set rates based on market rates at the time.

Property and Campus Services
 Parking Fund Financial Business Plan Y2006-Y2009
 Summary of Income and Expenditure
 Scenario - Based on Full occupation
 - New rates as from 2007

	Actual 2005 \$	Projected 2006 \$	Projected 2007 \$	Projected 2008 \$	Projected 2009 \$
Income					
Parking Fees	3,450,538	3,660,772	4,242,151	4,446,191	4,657,367
	<u>3,450,538</u>	<u>3,660,772</u>	<u>4,242,151</u>	<u>4,446,191</u>	<u>4,657,367</u>
Expenditure					
Salary Permanent	133,354	126,165	143,626	149,639	155,908
Contracted or Professional Services	22,674	27,389	29,032	30,774	32,621
Consumable Materials & Provisions	20,847	6,837	7,247	7,682	8,143
Travel & Conference	617	555	588	624	661
Utilities	536,892	637,113	657,463	678,485	700,203
Expensed Assets	16,036	12,000	62,720	13,483	14,292
General Expenses	13,178	14,056	14,899	15,793	16,741
Rent & Hire Charges	131,772	123,822	127,537	131,363	135,304
Repairs & Maintenance	121,193	78,682	83,403	88,407	93,712
	<u>996,563</u>	<u>1,026,619</u>	<u>1,126,516</u>	<u>1,116,250</u>	<u>1,157,585</u>
Total Costs					
Operating Surplus	2,453,975	2,634,153	3,115,635	3,329,941	3,499,782

	Y2006		Y2007		Y2008		Y2009	
Amount available for Loan Repayment	\$	2,634,153	\$	3,115,635	\$	3,329,941	\$	3,499,782
Repayment (Fortnight)		352		261		216		179
Repayment (Month)		163		120		100		83
Repayment (Year)		13.5658		10.0323		8.3111		6.8874
Loan details								
Loan Principal	\$	25,909,601	\$	24,539,820	\$	22,607,287	\$	20,356,597
Interest		5%		5%		5%		5%
Term		14 Years		10 Years		8 Years		7 Years
No. of fortnights		353		261		216		179
No. of Months		163		120		100		83
Repayment per Fortnight	\$	101,234	\$	119,729	\$	127,959	\$	134,481
Repayment per Month	\$	219,513	\$	259,636	\$	277,495	\$	291,649
Repayment per year	\$	2,634,153	\$	3,115,635	\$	3,329,941	\$	3,499,782
Repayment Represented By:								
Interest Payable during Year	\$	1,264,372	\$	1,183,102	\$	1,079,251	\$	960,154
Principal Payable during Year	\$	1,369,781	\$	1,932,533	\$	2,250,690	\$	2,539,627
Loan Principal Balance at Year-End	\$	24,539,820	\$	22,607,287	\$	20,356,597	\$	17,816,970